Shell's corporate social responsibility in nigeria

Royal Dutch Shell, commonly shortened to Shell, is a multinational oil corporation headquartered in the Netherlands. They operate in more than 90 countries (Shell 2009), both developed and undeveloped. Shell produces 2% of the world's oil and 3% of the world's gas (Shell 2009), which ranks 22nd most of all oil and gas companies worldwide (Oil and Gas Journal 2008, See Appendix 1). Although Shell is not a leading oil company in terms of oil and gas produced, it is in terms of revenue. In 2010, Shell ranked as the second largest world corporation (next to Wal-Mart) with revenue of over 285 billion USD (CNN Money 2011). Shell is also one of the largest three oil companies in terms of profit, amongst Exxon Mobil and British Petroleum. In sum, Shell makes enormous revenue and profit, and thus has strong economic, political and social impacts on the countries it operates within, especially where oil acts as a leading export or monoculture. The social impacts of oil drilling by Shell are of personal interest because my family always chooses to fill our car with Shell oil, despite awareness of Shell's negative social reputation. The son of my now deceased neighbour, whom I nursed in the last few weeks of her life, owns the local branch. As a thank you, he paid for a significant portion of my first year tuition and has generally been a close friend of the family. Therefore it has seemed " right" to support his business and put our global mindsets on the backburner. As one of the top oil using countries in the world, Canadian consumers contribute largely to Shell's revenue, and have the ability to change trends of oil companies by acting in resistance or in support to the choices of Shell, or by simply going to a different gas station. It is because of my guilty conscience and apathy towards change that I have decided to research the social responsibility of Shell. Henri Deterding, a successful Shell executive said, " profits in their true sense are simply the reward of foresight and courage-the foresight to see where opportunities exist to meet mankind's needs more adequately and more cheaply than before; and the courage to risk one's energies and one's savings in exploiting those opportunities" (Martin 2006: 96). This vague and sugar coated statement does not indicate which opportunities are being exploited and how needs are made more cheaply. The public eye of the 1990s did not see Shell as insightful and courageous, as Deterding indicates, but rather as corrupt and exploitive. J. P. Martin (2006: 93) sums up Shell's social reputation well when he says " In the oil industry, virtually all the major MNCs in Europe and North America have come under scrutiny for their practices in developing countries, none more so than Royal Dutch Shell." A number of writers, film makers, activists, and NGOs have agreed, publishing works on Shell's operations in Nigeria, the North Sea, Bangladesh, South Africa, Sudan, and other locations. This activism, some of which has been done by Canadians, has created change. The Ogoni issue in Nigeria has especially been analyzed and scrutinized and will be focused on in this paper (due to too little space to analyze all of Shell's controversial operations); however it is Shell's response to the Nigeria issue that is most prevalent to development and Corporate Social Responsibility (CSR). Shell's approach to CSR has been largely defensive, reactive, and protective of themselves, rather than progressive and proactive for humanity, setting a negative example of CSR to other companies and hindering the possibilities of positive development.

The World Bank defined CSR in 2004 as " the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life, in ways that are both good for business and good for development" (Blowfield 2005: 515). This definition has a more positive nature than others, and generally, earlier ideas of CSR. In 1997, the British Department for International Development defined CSR as a " means to protect workers and the environment from the undesired consequences of the otherwise desirable fostering of international trade" (Ibid). The British Department for International Development's definition has a defensive tone, and implies that capital profit is always " desirable," and that the environment and workers are merely material resources that need to be protected, rather than improved. The World Bank's definition is much more ideal, relating to development discourses on human rights, empowerment, and sustainability. Simply put, CSR is an overlap between development and business goals that has long been left out of development thinking (Blowfield 2005: 516-518). Development professionals have tended to see business as a problematic barrier to development, where as businesses have seen NGOs as thwarting maximum profits with environmentalism and human rights. Daniel Litvin (2003: 251) states that Shell is now considered a model for other companies interested in CSR. Shell has notably made vast improvements in environmental sustainability, economic growth, and human rights, beginning with the 1997 revisions of Shell's general policies, following the Ogoni Issue in Nigeria.

Problems with oil production in Nigeria did not begin with the Ogoni case. There has been half a century of conflict, much of which has been blamed on Shell's low political profile. Oil reserves were discovered shortly before

Nigerian independence, and at the time, Nigeria was poised to become an African superpower. However, conflicts between tribes about oil led to the Biafran war on 1967, in which over a million Nigerians were killed. In the 1970s, Shell oil was " Nigerianized," meaning governments demanded larger concessions. Since 1979, Nigeria has a 55% share in oil, which is a whopping 45% higher than the next largest oil concession in the country (Litvin 2003: 257). Nigeria's government became wealthy. Nigerian politicians lavishly and corruptly spent the money on themselves and failed projects, leaving public services such as clean water, electricity, and paved roads inadequate (Ibid: 258). Drowning in debt, a country of 130 million people that pumps out more than 2 million barrels of oil a day, and is the 7th largest oil producer in the world, is also recognized by the World Bank as one of the world's twenty poorest countries. 57% of Nigerians live in extreme poverty (less than $1/day), rising to 70% in the Niger Delta region (Ghazvinian 2007: 21). Litvin (2003: 259) states that it was in the Niger Delta region where " the company's reluctance to intervene in politics gave critics the strongest impressions that it was working hand-in-glove with the federal government." This local discontent with the oil industry forced the federal government to increase the 1. 5% of revenues that were given to the areas around drilling to 3%. However, local bureaucrats spent much of this money on themselves instead (Litvin 2003: 259). It is unsurprising that locals, namely the Etche tribe, in the Niger Delta area began to resist Shell operations by sabotaging facilities and pipes which lessened the amount of oil, and thus the amount of money, channelled to Shell and bureaucrat pockets. Shell paid the salaries of many of the police protecting the facilities, as they were obliged to do by law (Litvin 2003: 260), but did not prohibit the brutality and massacre against local protestors. According to Amnesty International, 495 houses were damaged or set on fire, and 80 people were killed in the Etche slaughter (Ghazvinian 2007: 26). Similar situations were acted out over and over in many villages against many tribes: it was the military junta against the people (Ibid: 27). A man named Ken Saro-Wiwa organized efforts for the Ogoni tribe, and brought structure to the resistance. The Ogoni people had been writing to the government since 1970 asking for a greater share in the oil revenue and to readdress environmental problems, but they had remained ignored. Saro-Wiwa led a group called Movement for the Survival of the Ogoni People (MOSOP) that began its protest with a thirty-day ultimatum for Shell to pay back both rents and damage compensation or to leave (Ibid). When Shell did not respond, 300, 000 of the 500, 000 Ogoni people staged a peaceful demonstration. In the year that followed, increasingly violent clashes between the Ogoni and the Nigerian army, killed hundreds of Ogoni villagers and members of neighbouring tribes (Ghazvinian 2007: 28). In May 1994, the clash that made headlines and created mass scrutiny broke out. A meeting of Ogoni leaders was disrupted by a mob that murdered four of the tribal chiefs. Although they had alibis, Saro-Wiwa and eight other men were arrested for the murders. Brian Anderson, Shell's then-chief executive for Nigeria, offered to intercede with the authorities and stop the nine men from being charged, only on the condition that MOSOP end its campaign and absolve the company of responsibility for the environmental damage in the Niger Delta. Despite the bribe, the men refused, and were hanged on November 10, 1995. Shell appeared to remain neutral, if not silently supportive of the hangings (Martin 2006: 94). Locals and the press assessed the situation as conspiracy and corruption, and by the late 1990s, anger fuelled what were once peaceful movements into spontaneous and confrontational acts of guerrilla war that went as far to kidnap and kill foreign oil workers. Protestors tapped into the pipelines and sold the oil on the black market, called " illegal bunkering." By 2003, an estimated 200, 000 barrels of oil was disappearing daily, costing the Nigerian government $100 million dollars a week (Ghazvinian 2007: 29). Although these acts were essentially violent and illegal, Shell and the Nigerian government could no longer afford to ignore the Ogoni people. The 1995 hangings, as well as the separate case of the disposal of the Brent Spar drilling platform in the North Sea, brought amplified environmental and human rights responses. Shell's involvement in the hangings was brought to the US District Court in 1999, the African Human Rights Commission and commented on by the Human Rights Watch in 2002 (Martin 2006: 94-95). (See Appendix 2 for a list of charges against Shell from these institutions.) Shell's Eurocentric and short-termed commercial goals were no longer acceptable to the public eye.

Daniel Litvin (2003: 264) said, " These days there are few multinationals in the world as loudly committed as the Shell group to " sustainable development," or as evangelically enthusiastic about CSR." Shell maintains an " Environment & Society" website (2011) that thoroughly describes their principals and practices. See Appendix 3 for a screenshot of the Shell's " Environment & Society" webpage, which includes many key terms of CSR. In 1998, general director Philip Watts emphasized the World Bank's definition of CSR and Shell's changing mindset when he said, " Shell companies are not just economic actors; nor can they be social activists, however their role lies somewhere in between, as responsible, efficient and acceptable business organizations acting on the changing world stage" (Martin 2006: 97). In 1997, Shell took their first stab at improving their principles by revising the company's five areas of responsibility (Appendix 4). For the first time, Shell's principles included the words human rights (Ibid). These impressive principles have penetrated Shell's guiding values in a matter of a decade. However, this speedy amendment of Shell's framework brings scepticism of how thorough their CSR policies are.

Sustainable development was first seriously discussed by Shell at the 1997 revision of the general policies, following the Nigerian crisis. Martin (2006: 99) notes that sustainable development was portrayed as just good business. This is still apparent today on Shell's " Sustainable Development" webpage, which simply links to a description and link to the company's general good business policies. Interestingly, they state,

We were one of the first global companies to state and share our beliefs when we published our General Business Principles in 1976. As part of these principles, we commit to contribute to sustainable development, balancing short and long-term interests and integrating economic, environmental and social considerations into our decision-making.

This ignores the 1997 revisions, and implies that Shell followed the same policies during the Ogoni crisis. However, it is apparent that Shell has been making some progress on issues such as climate change and fossil fuel depletion. They state both on their website and in their 2002 booklet, Contributing to Sustainable Development, that they offer a portfolio of energy solutions, are tackling challenges of the new energy future, reducing

CO_2, NO_x, SO_2, and VOCs from their emissions, and preventing oil spills (Shell 2011; Martin 2006: 99 - 100). However, Shell's environmental standards have been criticized as a Greenwash (ie. Environmental whitewash) created by PR reacting to the Brent Spar and Nigerian crisis in order to appear sustainable and save profits, rather than having any practical application (Litvin 2003: 265). Shell's website (2011) lists completed statistics and dates for many of their environmental victories, as well as upcoming goals, implying that, contrary to what may have been an initial Greenwash, Shell is taking real action towards environmentalism. Additionally, unlike other development endeavors (as will be discussed) Shell has given examples of environmental protocol in both developed and developing countries, indicating it is a widespread effort.

As noted earlier, human rights were added to Shell's general policies in 1997. However, and firstly, human rights protocols are largely reactive to the Ogoni case. For example, on Shell's website (2011) they state, " We aim to create a workplace that encourages people to make best use of their talents." This is a response to critiques by protestors that Shell did not hire locals in the Niger Delta. John Ghazvinian (2007: 25) explains that, exasperated by complaints, Shell offered local youth " ghost jobs," paying them to not attack oil installations, but not giving them actual work. Secondly, Shell promises, " to protect our shareholders' investment and provide an acceptable return" (Martin 2006: 102). Corporations have a right to make profit, and in order to provide a high return and maintain good relation with customers, progressive human rights standards can be seemingly unaffordable. Martin (2006: 103) also notes that a fair distribution of revenue across all parties if usually uncontrollable by the corporation, and at stake of the complexities of the local government's revenue distribution. Therefore, human rights protocols can at best identify unfair patterns and can promise to " aim," " seek," " look for," and " contribute" to creating equal opportunities (Shell 2011), without any real outcomes. When it comes to human rights, Shell's CSR works as a smokescreen to avoid tackling larger issues, and in order to create accountability and to repair company reputation following the Nigeria crisis.

Economic growth and community development projects by Shell have been well funded and socially responsible. In 2001, Shell Nigeria directed over 52 million USD to the Niger Delta region (Martin 2006: 104), which is now 60 million USD annually towards community projects (Litvin 2003: 266). Unlike the quick-fix projects of the 1990s, the money has been spent on projects generally approved by development professionals. They help to create and sustain self-sufficiency, using methods such as microcredit, hospital support, education, and infrastructure. By providing roads, bridges, and electricity, Shell has aimed not only to reduce poverty, but has created a space for the company to operate more sustainably (Martin 2006: 104). Shell's community development in the Niger Delta well encapsulates the World Bank's definition of CSR: " both good for business and good for development." In Ghazvinian's interview with Chris Finlayson, chairman of Shell's African division, Finlayson said he wanted " to run African from Africa," by moving the entire African staff from the Netherlands to Africa (Ghazvinian 2007: 74), but he says nothing about hiring Africans, just relocating the current staff. Since the Nigerian crisis, 95% of Shell staff in Nigeria has been Nigerian, and 85% of contracting jobs have gone to Nigerian companies (Shell 2011). However, neither books researched nor the Shell webpage on economic development gave any examples of economic development outside Nigeria, whether through projects or hiring locally. Just once, the website notes a project in Qatar to hire locally. Although Shell clearly needs to stress responsible projects in Nigeria to gain respect after the Ogoni crisis, they do not provide proof of good economic development or human rights in any other area. Shell's CSR practices, though perhaps effective where they are applied, are limited to where they have had problems in the past. Rather than representing a progressive discourse on development thinking, they simply act in reaction to their critics.

In 2007, Shell commissioned a confidential risk-assessment survey from a consulting firm called WAC Global Services, whose final report leaked to the press. The report said " it is clear that Shell is part of the Niger Delta conflict dynamics and that its social license to operate is fast eroding," and that it must improve. It also accuses Shell of a " quick-fix, reactive, and divisive approach to community engagement," and describes their conflict management as " limited in scope" (Ghazvinian 2007: 78). Shell's CSR has operated as a humble attempt of company transparency. The Shell website (2011) has an interactive map of the world, where you can click on every country it operates within, to see descriptions of operations and occasionally a list of environmental efforts. Under " Acting Responsibly," the legend lists CO2, Biodiversity, Water- use, and Nigeria, as projects. Environmental projects, as noted before, are extensive in detail and location. However, projects involving human rights, community development, or economic sustainability are only discussed when you click on Nigeria. Other developing countries give a simple description; typically, and for example, " Gabon: We play a role in both the upstream and marketing sectors of the Gabonese oil industry. Our upstream assets include both exploration projects and oil production. We hold substantial interests in various off shore permits and have oil production at Rabi," or even briefer, " Shell's upstream business is active in Guyana." The difference between Shell transparency in Nigeria and Guyana is immense. Litvin explains that Shell must direct more money to the Nigerian cause than elsewhere when he says " Shell headquarters has been sufficiently reassured by all this activity to risk more of its money in Nigeria." Michael Blowfield (2006: 980) notes three important drivers of CSR, which could effect Shell's wide division of CSR expenses. Firstly, the intensification of shaming companies; secondly, the entrance of anti-corporate criticism into popular culture and documentaries; and thirdly, ethical branding. Shell uses CSR in Nigeria to avoid or discontinue " name-shaming," as has intensified recently with corporations such as Wal-Mart, Nike, and Gap. They also defend themselves against popular documentaries such as " The Case Against Shell: 'The Hanging of Ken Saro-Wiwa Showed the True Cost of Oil,'" and organizations such as Shell Guilty (2011), which are more apt to use strong images and wording to get attention of the public. However, Shell's environmental CSR has been much more successful. With the recent trendiness and demand for responses to climate change and the Kyoto protocol, Shell may find it more beneficial to spend the money on lowering their footprint for public approval. Community development appears less in headlines and is in less demand. Additionally, environmental updates, such as cleaner technology, depends less on government cooperation, unlike distribution of wealth and labour laws.

The Ogoni case has been cause of inspiration, controversy, and progress in CSR. However, Shell's CSR policies are plagued with shortcomings. In order to improve, successful CSR is must receive government cooperation. Without legal enforcement, the best corporations can do is use a " soft law" approach to CSR, where they can voluntarily act on CSR policies, but are not required to by law. Most of Nigeria is still operating with Shell under Memorandums of Understanding (MoU), which are informal documents that have been largely unsuccessful for Nigerian tribes (Ghazvinian 2007: 31). With more " hard law" policies implemented by the government, Shell could be forced to give the same type of employment opportunities worldwide, as they do in Nigeria, setting a better example for corporations and countries worldwide. This is not to entirely place the blame on the government. Though Shell acted with good business sense to use CSR as a damage control in Nigeria, by having a lack of CSR business sense in other locations, their tactics look reactionary, rather than progressive. However, as Litvin (2003: 251) states, Shell is now a model for other companies looking to adopt CSR. Though at the cost of innocent Nigerian lives, the crisis has led to a greater good, even if Shell's motives in CSR may not come from hearts of gold. Shell has been criticized for helping to fund civil war in Sudan and the Apartheid (Martin 2006: 105). Had these issues been as public as the Nigerian crisis, Shell may have been forced to take further measures, perhaps effecting policies in the areas and further setting examples for other companies. This is to say, does a certain amount of damage have to be done before circumstances can change and

CSR can be properly implemented? From a modernization theory viewpoint, one could ask, was the Nigerian crisis one small step in the process of development, or, rather, a more post modern view, was it simply a symptom of dependency on Western corporation? Countries with more successful oil wealth, such as Saudi Arabia, have nationalized oil extraction, rather than use corporate oil extraction. Nigerian poverty cannot be simplified to a problem of national vs. corporate oil, as Nigeria has a long history of debt and political stress; however, it is one window to see how they, and other countries, could have a healthier relationship with their fossil fuels. In conclusion, Shell has created a positive framework for corporate social responsibility, but has yet to fill the framework with appropriate practices in all of their locations. Shell must increase transparency worldwide and apply corporate social responsibility to be an appropriate model for other companies.

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Appendices

Appendix 1

List of Charges against Shell Previous to 2002 (Martin 2006: 94-95)

US District Court (1999)

Shell and Brian Anderson charged with:

- Recruiting and arming Nigerian military and police and enabling them to suppress MOSOP

- Conspiracy with Nigerian authorities to put Saro-Wiwa and one other man to death

African Human Rights Commission (2002)

Shell, in partnership with Nigeria, violation of:

- Articles 2, 4, 14, 18(1), 21, and 24 of the African Charter on Human and People's Rights

- Violations described as widespread contamination of soil, water, and air; the destruction of home, the burning of crops and killing of farm animals; and the climate of terror that has been visited upon the Ogoni communities in violation of their rights to health, a healthy environment, housing, and food

Appendix 2

Appendix 3

1997 Revision of 1976 General Principles: (Martin 2006: 96)

To protect shareholders; investment,

To win and main maintain customers,

To respect the human rights of their employees,

To seek mutually beneficial relationships with those whom they do business, and

" to conduct business as responsible corporate members of society, to observe the laws of countries, in which they operate, to express support for fundamental human rights in line with the legitimate role of business and to give proper regard to health, safety and the environment."